



U.S. Department of Justice

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## **PRESS RELEASE**

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### **Atlanta Man Gets Six-Year Prison Term For Cheating People Who Were Promised Loans**

WASHINGTON - Kenneth Lane Milstead, 59, was sentenced today to six years in prison after earlier pleading guilty to one count of wire fraud for obtaining more than \$315,000 through a scheme in which he promised – but never made – loans to potential borrowers across the United States, U.S. Attorney Ronald C. Machen Jr. and Shawn Henry, Assistant Director of the FBI's Washington Field Office, announced.

Milstead, of Atlanta, pled guilty in July. He was sentenced by the Honorable Rosemary M. Collyer in the U.S. District Court for the District of Columbia. As part of his plea agreement, Milstead agreed to make restitution, and to forfeit a money judgment, in the amount of \$315,080.25.

In sentencing Milstead to six years, the judge departed upward from federal sentencing guidelines. By her calculation, the guidelines called for a term of 41 to 51 months. She cited the amount of money involved, the number of victims, the impact of the crimes, and the length of the criminal activity.

According to the government's evidence, as part of an "advance fee" scheme to defraud, Milstead portrayed himself, from May 2005 through March 2008, as three non-existent top corporate executives:

- as "Franklin Lane," CEO of Franklin Investments, in Atlanta.
- as "Lance Edwards," CEO of Edwards Capital Group, in Washington D.C.
- as "Kenneth Martin," Chairman of the Board of KLMEEI, in Boston.

The evidence showed that these companies were "shell companies," which had actual Web sites and bank accounts, but only "virtual" offices, and corporate staff who did not exist. Milstead would approach potential borrowers on line (on venture capital Web sites), and offer to make substantial loans (usually \$1 million) to them, but first requiring that they send him "earnest money" (usually \$10,000, and sometimes a second payment). He used a questionnaire to learn about the hopes,

aspirations and personalities of the victims and used that information to shape his pitch. He then tricked able and aspiring business people into sending him “earnest money” on a virtual handshake.

In all, 28 victims – small businessmen/women – made 40 payments, but Milstead never sent any individual borrower any investment capital loan. Instead he provided a series of excuses as to why the loan was delayed, and refused to return the “earnest money.” Many of the victims suffered substantial business reverses.

As a further part of the scheme, Milstead convinced one person to work as the purported Secretary-Treasurer of Edwards Capital Group, and to then take various actions that (unknown to the person) furthered the scheme, including opening a bank account and four credit cards using the person’s personal information (date of birth, social security number), resulting in credit card expenditures more than \$100,000 in furtherance of the scheme and charged against the person individually and the credit card companies.

In a search warrant at the time of his indictment in May, of a storage facility connected with Milstead’s residence in Atlanta, the FBI recovered a file, meticulously organized, containing materials relevant to all of the fraudulent loan transactions by “Franklin Lane,” “Lance Edwards,” and “Kenneth Martin.”

This case was handled by the FBI’s Washington Field Office and the U.S. Attorney’s Office for the District of Columbia.

Other cases that are similar to this are now being pursued by the interagency Financial Fraud Enforcement Task Force. That task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

For more information on the task force, visit: [www.StopFraud.gov](http://www.StopFraud.gov).

In announcing the sentencing, U.S. Attorney Machen praised the work of the Special Agents from the FBI who worked on the case. He also acknowledged the efforts of several U.S. Attorney’s Office personnel – Paralegal Specialist Diane Hayes, Legal Assistant Jamasee Lucas, SEEP Student Sierra Tate, former auditor Robert Jodoin, and Yvonne Bryant and Lorraine Chase of the Victim Witness Assistance Unit – as well as Assistant U.S. Attorneys Diane Lucas, who assisted with the forfeiture aspect of the case, and Daniel Friedman, who is handling this prosecution.